

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-11 ISO-00 TRSE-00 AGR-05 AID-05 CEA-01
CIAE-00 COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13
NSAE-00 ICA-11 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
SS-15 STR-07 L-03 AF-10 /136 W
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FM AMEMBASSY PARIS
TO SECSTATE WASHDC 3470
INFO AMEMBASSY ABU DHABI
AMEMBASSY CAIRO
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

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USOECD

E.O. 11652: N/A
TAGS: EAID, EFIN, EG
SUBJECT: ARAB ASSISTANCE TO EGYPT FOR 1978

1. FOLLOWING IS STATEMENT PREPARED BY GOE DELEGATION TO
CG MEETING FOR GODE RE EGYPTIAN FINANCIAL REQUIREMENTS
FOR 1978:

QUOTE: THE IMF STAFF PROJECTS EGYPT'S FOREIGN EXCHANGE
REQUIREMENTS IN 1978 AT US\$2,750 MILLION. NET IN-
FLOWS OF ORDINARY CAPITAL, INCLUDING COMMODITY AID UNDER
REGULAR COMMODITY AID PROGRAMS, ARE EXPECTED TO FINANCE
ABOUT US\$1,325 MILLION OF THIS GAP. THE REQUIREMENT FOR
SPECIAL BALANCE OF PAYMENTS FINANCING, THEN, IS PROJECT-
ED AT US\$1,425 MILLION. OF THIS AMOUNT US\$125 MILLION
WILL BE PROVIDED BY THE IMF AND RECEIPT OF KHARTOUM AID
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OF US\$150 MILLION IS EXPECTED. THIS LEAVES A REQUIRE-
MENT OF US\$1,150 MILLION (ROUNDED TO US\$1,200 MILLION IN
THE STATEMENT BY THE IMF REPRESENTATIVE TO THE CONSUL-
TATIVE GROUP). PART OF THIS REQUIREMENT IS ALREADY BE-
ING MET THROUGH DISBURSEMENT OF US\$500 MILLION OF GODE
COMMODITY AID COMMITTED IN 1977. THE REMAINING GAP IS
THUS US\$600 MILLION. AS THE PROJECTIONS HAVE ALREADY

ACCOUNTED FOR THE LARGE INCREASE IN PROJECT AND COMMODITY AID FROM OTHER DONORS EXPECTED IN 1978, THIS AMOUNT WOULD NEED TO COME FROM SPECIAL DONORS SUCH AS GODE.

QUOTE: THIS FIGURE REFERS TO DISBURSEMENTS OF CASE OR COMMODITY AID, THOUGH THIS WOULD INCLUDE ANY PROJECT FINANCING WHICH COULD BE DISBURSED BY THE END OF 1978. EGYPT IS NOW ENTERING ITS "DRY SEASON" FOR FOREIGN EXCHANGE, SINCE AGRICULTURAL EXPORTS AND NET INVISIBLE RECEIPTS ARE ALWAYS LOWER IN THE SECOND HALF OF THE YEAR THAN IN THE FIRST; SINCE FOREIGN EXCHANGE RESERVES ARE CRITICALLY LOW, IT IS ESSENTIAL THAT US\$200 MILLION OF THE TOTAL AMOUNT BE MADE AVAILABLE QUICKLY IN THE FORM OF CASH FINANCING. THE REMAINDER COULD BE MADE AVAILABLE AS COMMODITY FINANCING SIMILAR TO LAST YEAR'S ARRANGEMENT, THOUGH IT IS IMPORTANT THAT THE COMMODITY COVERAGE BE BROAD ENOUGH TO PERMIT RAPID DISBURSEMENT. IT WOULD BE DESIRABLE TO COMMIT AN ADDITIONAL AMOUNT TO PROVIDE SOME CARRY-OVER OF COMMODITY AND PROJECT AID TO COVER THE FIRST HALF OF 1979 (AS WAS DONE IN 1977 FOR THE FIRST HALF OF 1978).

QUOTE: EGYPT'S FINANCIAL SITUATION IS EXPECTED TO IMPROVE RAPIDLY IN THE NEXT FEW YEARS, AND BY 1981 THE REQUIREMENT FOR SPECIAL FINANCING SHOULD BE VIRTUALLY ELIMINATED.

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SUMMARY TABLE
(US \$ MILLION)

FOREIGN EXCHANGE REQUIREMENT	2,750
ORDINARY CAPITAL INFLOWS	-1,325

SPECIAL FINANCING REQUIREMENT	1,425
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IMF	(125)
KHARTOUM AID	(150)
1977 GODE COMMODITY AID	(50U)
REMAINING REQUIREMENT	(650)

END QUOTE

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